

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

0 0 - 1 0

2. STATE:

Texas

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

October 1, 2000

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

7. FEDERAL BUDGET IMPACT: See Attachment

a. FFY 2000 \$ -0-

b. FFY 2001 \$ -0-

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

See Attachment

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):

See Attachment

10. SUBJECT OF AMENDMENT: Amendment No. 575 - The amendment will allow for the transfer of reimbursement methodology for Rehabilitative Services from the Texas Department of Mental Health Mental Retardation to the Health and Human Services Commission.

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED:

Sent to Governor's Office this date. Comments, if any, will be forwarded when received.

12. SIGNATURE OF STATE AGENCY OFFICIAL:

Linda K. Wertz

13. TYPED NAME:

Linda K. Wertz

14. TITLE:

State Medicaid Director

15. DATE SUBMITTED:

September 6, 2000

16. RETURN TO:

Linda K. Wertz
Health and Human Services Commission
Post Office Box 13247
Austin, Texas 78711

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

09-12-00

18. DATE APPROVED:

October 26, 2000

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

October 1, 2000

20. SIGNATURE OF REGIONAL OFFICIAL:

Calvin G. Cline

21. TYPED NAME:

Calvin G. Cline

22. TITLE: Associate Regional Administrator
Division of Medicaid and State Operations

23. REMARKS:

CORRECTED

Attachment to HCFA-179 for
Transmittal No. 00-10, Amendment No. 575

Number of the
Plan Section or Attachment

Attachment 4.19-B
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Number of the Superseded
Plan Section or Attachment

Attachment 4.19-B
Page 20 (TN96-15)
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Attachment 4.19-B
Page 20**27. Rate Determination for Rehabilitative Services.**

The Texas Department of Mental Health and Mental Retardation (TDMHMR) will reimburse qualified providers for rehabilitative services provided to Medicaid eligible persons with mental illness.

1. Reimbursement during Initial Reimbursement period.

(a) Providers will be reimbursed utilizing estimated costs to determine pro forma rates for the following categories of rehabilitative services:

- (1) Individual community support services provided by a professional (unit of service – 30 minutes)
- (2) Individual community support services provided by a paraprofessional (unit of service – 30 minutes)
- (3) Group community support services provided by a professional (unit of service – 30 minutes)
- (4) Group community support services provided by a paraprofessional (unit of service – 30 minutes)
- (5) Day programs for acute needs (adult) – (unit of service – 1 hour)
- (6) Day programs for acute needs (children) – (unit of service - 1 hour)
- (7) Day programs for skills training (adult) – (unit of service – 1 hour)
- (8) Day programs for skills training (children) – (unit of service – 1 hour)
- (9) Day programs for skills maintenance – (unit of service – 1 hour)
- (10) Plan of Care Oversight (unit of service – 1 contact)

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27. Rate Determination for Rehabilitative Services (continued).

- (b) The pro forma rates were developed based on salary data obtained from the Texas Medical Association and the 1994 National Survey of Hospital and Medical School Salaries. This data was used to calculate an hourly cost, based on an estimated number of work hours, adjusted to allow for vacation and sick days (1800 hours per year to allow for vacation/sick leave; five hours per day of direct service; 1125 hours per year were used to calculate hourly salaries). Salaries were based on median salary rates and adjusted as appropriate for Texas-specific salaries. Professionals were costed out at the south central USA RN median salary rate. Paraprofessionals were costed out at the south central USA LVN median salary rate. The basic information from the data was adjusted by adding 25% to reflect Texas-specific salaries. The Implicit Price Deflator for Personal Consumption Expenditures (IPD-PCE) was used to inflate the 1994 salaries to the initial rate period. Assumptions were formulated to determine the most appropriate average size of small group (average four people per group) and day program services (average twelve people per group). The requirement of supervision constitutes 15% of a professional's time. Additionally, 30% was used as an estimate for fringe benefits and non-personal operating expenses. After these assumptions were completed, the rates were calculated by determining staff hours based on the services offered and the specific staffing requirements.
- (c) During the initial reimbursement period, the operating agency will collect cost data.
- (d) Utilizing data collected during the initial period, the Health and Human Services Commission (HHSC) will calculate rates using the process defined in Attachment 4.19-B, (27) section 2.

2. Reimbursement during subsequent periods.

For the periods, October 1, 2000 and beyond, HHSC will determine reimbursement rates using a cost reporting process. Reimbursement rates are determined at least annually, but may be determined more frequently if deemed necessary. Reimbursements are determined in the following manner:

- (a) Inclusion of certain reported expenses. Providers must ensure that all requested costs are included in the cost report.

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(b) Data collection. HHSC collects several different kinds of data. These include the number of units of rehabilitative services that clients receive and the number of direct care service minutes by staff. The cost data will include direct costs, programmatic indirect costs, and general and administrative overhead costs. These costs include salaries, benefits, and other costs. Other costs include nonsalary related costs such as building and equipment maintenance, repair, depreciation, amortization, and insurance expenses; employee travel and training expenses; utilities; plus material and supply expenses.

(1) Server time is collected by the type of service delivered. These services are specified Appendix 1 to Attachment 3.1-A, pages 31a to 31e and Appendix 1 to Attachment 3.1-B, pages 31a to 31e of the Texas Medicaid State Plan. The server time can be given by professionals and paraprofessionals. These include, but are not necessarily limited to physicians, psychologists, nurses, social workers, mental health technicians, counselors, therapists, and therapy associates. HHSC collects the wages, salaries, benefits, and other costs to determine reimbursement.

(2) A unit of service is defined in 30 minute increments for community support services, one hour increments for day programming services, and a face to face contact for plan of care oversight.

(3) HHSC will calculate rates for the following categories:

- (A) Individual community support services provided by a professional (unit of service – 30 minutes).
- (B) Individual community support services provided by a paraprofessional (unit of service – 30 minutes).
- (C) Group community support services provided by a professional (unit of service – 30 minutes).
- (D) Group community support services provided by a paraprofessional (unit of service – 30 minutes).
- (E) Day programs for acute needs (adult) – (unit of service – 1 hour).

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- (F) Day programs for acute needs (children) – (unit of service – 1 hour).
 - (G) Day programs for skills training (adult) – (unit of service – 1 hour).
 - (H) Day programs for skills training (children) – (unit of service – 1 hour).
 - (I) Day programs for skills maintenance – (unit of service – 1 hour).
 - (J) Plan of Care Oversight (unit of service – 1 contact)
- (4) Programmatic indirect costs include salaries, benefits, and other costs of the rehabilitative services program that are indirectly related to the delivery of rehabilitative services to individuals. General and administrative overhead costs include the salaries, benefits, and other costs of operations of the provider that, while not directly part of the rehabilitative services program, constitute costs which support the operations of the rehabilitative services program.
- (5) Revenues and costs will be collected and allocated to assure the separation of costs associated with rehabilitative services from revenues and costs associated with other Medicaid-reimbursed services and non-Medicaid services.

(c) Reimbursement methodology.

HHSC determines the recommended reimbursement using the following method.

- (1) Projected adjusted costs. Reported costs for each provider are projected and adjusted prior to calculations for determining reimbursement. HHSC uses reasonable methods for projecting costs from the historical reporting period to the prospective reimbursement period. The historical reporting period is the time period covered by the cost report. Cost projections adjust the allowed historical costs for significant changes in cost related conditions anticipated to occur between the historical cost period and prospective reimbursement period.

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Significant conditions include, but are not necessarily limited to, wage and price inflation or deflation, changes in program utilization and occupancy, modification of federal or state regulations and statutes, and implementation of federal or state court orders and settlement agreements. HHSC determines reasonable and appropriate economic adjusters, to calculate the projected expenses. The Personal Consumption Expenditures (PCE) Chain-Type Index, which is based on data from the U.S. Department of Commerce, is the most general measure of inflation and is applied to most salaries, materials, supplies, and services when other specific inflators are not appropriate. The three payroll tax inflators, FICA (Social Security), FUTA/SUTA (federal and state unemployment) and WCI (Workers' Compensation) are based on data obtained from the Statistical Abstract of the United States, The Texas Employment Commission and the Texas Board of Insurance, respectively.

For non-state providers, wage inflation factors are based on wage and hour survey information submitted on cost reports or special surveys or the PCE, when wage and hour survey information is unavailable. For state operated providers, the inflation factor is based on wage increases approved by the Texas Legislature. HHSC adjusts reimbursement if new legislation, regulations, or economic factors affect costs.

- (1) Cost per unit of service. For each provider, the unit cost for each type of rehabilitative service is determined by dividing the total cost of rehabilitative service by the total units of service.
- (2) Reimbursement determination. The mean provider cost per unit of service is calculated, and the statistical outliers (those providers whose unit cost exceed plus or minus (+/-) two standard deviations of the mean provider cost) are removed. After removal of the statistical outliers, the mean cost per unit of service is calculated. This mean cost per unit of service becomes recommended reimbursement per unit of service.

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- (2) Reimbursement setting authority. HHSC establishes the reimbursement in an open meeting after consideration of financial and statistical information and public testimony. HHSC sets reimbursements that, in its opinion, are within budgetary constraints and OMB A-87, adequate to reimburse the cost of operations for an economic and efficient provider, and justifiable given current economic conditions.
- (3) Reviews of cost report disallowances. A provider may request notification of the exclusions and adjustments to reported expenses made during either desk reviews or on-site audits, according to state regulations. Providers may request an informal review and, if necessary, and administrative hearing to dispute the action taken by HHSC under state law.

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